

DATE: April 8, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-19
Public Hearing on Budget Amendment No. 2; Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2014, and Ending June 30, 2015; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7106

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2014-15 Revised PDC Budget for the second time in the following ways:

- (1) Adjust project and program expenditures based on updated estimates of year-end activity including updated staff time, property development, or property management expense;
- (2) Reduce project and program budgets for inclusion in the FY 2015-16 Proposed Budget and Five-Year Forecast based on project timing;
- (3) Update forecasts for resources across all funds including year-end estimates for short-term debt (du jour proceeds) and to recognize updated property sale and management activity;
- (4) Adjust administrative materials and services for identified savings and year-end estimated activity; and
- (5) Adjust the Portland Housing Bureau (PHB) Set Aside Budget based on updated estimates of year-end actual expenditures from PHB and to move funds into the FY 2015-16 Proposed Budget.

In summary, FY 2014-15 Budget Amendment No. 2 decreases the total PDC budget from \$301,486,384 in the FY 2014-15 Revised Budget to \$300,647,177 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures decrease from \$210,380,254 to \$105,973,108.

BACKGROUND AND CONTEXT

The FY 2014-15 Budget Amendment No. 2 is the second and likely final budget amendment of the fiscal year. The majority of the changes are related to updating the budget to reflect shifts in project timing based on current year activities to help provide the best picture of available resources and commitments that will be incorporated into the FY 2015-16 Proposed Budget and Five-Year Forecast. Many of the requested adjustments were already reflected in the FY 2015-16 Draft Budget that was reviewed with the PDC Board at their budget work session on January 28, 2015.

COMMUNITY AND PUBLIC BENEFIT

The FY 2014-15 Budget Amendment No. 2 serves the public interest by ensuring that the PDC Board has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the PDC Board on Budget Amendment No. 2, prior to action on the resolution. In addition, PDC staff has conducted public outreach at meetings held throughout the year by its advisory groups as part of its budget development process. No specific outreach has been performed regarding this action; however, notice of the public hearing to be held by the PDC Board on Budget Amendment No. 2 was published prior to the meeting in the manner required by local budget law. Moreover, the Central City Budget Advisory Committee and Neighborhood Economic Development Leadership Group Budget Sub-Committee have reviewed current year priorities and budgets during the FY 2015-16 budget development process. Changes included in the FY 2014-15 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2014-15 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2014-15 Revised Budget reflect the financial implications of business decisions which amount to approximately \$106,000,000 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **Fees and Charges:** Increases a net \$661,060 to recognize lower Enterprise Zone application fees and the removal of the North Macadam Payment in Lieu of Taxes (PILOT) based on the recent PDC-Portland State University development agreement offset by an increase in potential development services revenue in the Business Management Fund.
- **Interest on Investments:** Increases \$229,621 to recognize interest earnings primarily in the River District Urban Renewal Area (URA).
- **Intergovernmental Revenues:** Increases a net \$551,331 based primarily on higher reimbursement grant revenues associated with the Union Station project. The amount also reflects a reduction in the General Fund for programs that are anticipated to occur and be reimbursed by the City of Portland (City) in FY 2015-16 instead of the current fiscal year.
- **Loan collections:** Decrease a net \$2,905,129 based on updated estimates for year-end collection amounts. Amounts are increased across most funds with the exception of River District URA, where loan collections were reduced and moved to FY 2015-16 based on updated repayment estimates.
- **Miscellaneous:** Increases a net \$182,041 based primarily from the receipt of cash and loan assets related to the Oregon Microenterprise Network (OMEN) loan portfolio transferred from TriMet.
- **Property Income:** Decreases \$1,509,290 based on changes in property rental income and timing of sales. The net decrease is primarily from the timing changes in property sales assumptions in Convention Center URA.
- **Short Term Debt:** Increases a net \$1,941,616 based on updated estimates of tax increment proceeds in several URAs.
- **Service Reimbursements:** Decreases \$71,122 in planned transfers to PDC Indirect Fund for internal operations. No longer needed.

Changes to Requirements

- **Administration:** Net decrease of \$118,162 based on changes to PDC Indirect Fund. Reduces Enterprise Resource Planning system project cost (will be added to FY 2015-16 based on timing) and increases funding for professional service contracts based on prior year commitments (Metropolitan Contractor Improvement Partnership Program). Also adjusts for City General Fund activities (carry-over programs to FY 2015-16).
- **Business Development:** Decreases \$11,274,108 based on reductions in business lending requirements and citywide business development programs being implemented in FY 2015-16. The majority of the decrease is related to moving the Daimler Trucks North America loan commitment (\$8,000,000) to FY 2015-16.
- **Housing: Decreases** \$18,148,075 based on estimates provided by PHB. Funds are being included in the FY 2015-16 Proposed Budget and Five-Year Forecast based on PHB's schedule.
- **Property Redevelopment:** Decreases \$70,064,443 based on net changes to commercial property lending and property redevelopment activities. Largest changes include \$26,326,994 in the River District URA for movement of Old Town/Chinatown lending resources to future fiscal years and moving the remaining commitment for the Multnomah County Health Headquarters to FY 2015-16. Another significant change is a reduction of \$26,702,342 in the Convention Center URA for removing current year funding for Veterans Memorial Coliseum, Lloyd EcoDistrict, and the Convention Center Hotel; this fund was already represented in the FY 2015-16 Requested Budget.
- **Contingency:** Increases \$103,110,120 for net changes in resources and expenditures. Represents resources that will be included in the beginning balances for the FY 2015-16 Proposed Budget. Over half of the increase was already included in the estimated beginning balances and projects for the FY 2015-16 Requested Budget based on early projections of resources that would carryover from FY 2014-15 to FY 2015-16.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2014-15 Budget Amendment No. 2, there may be inadequate appropriations for some projects and programs that are under way. An over-expenditure of an appropriation within a fund is a violation of state budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The PDC Board could choose not to approve FY 2014-15 Budget Amendment No. 2 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None.